Government of Tamil Nadu
State Planning Commission

ECONOMIC SURVEY OF TAMIL NADU 2025-26

Highlights

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1. Post pandemic recovery coincided with major policy shifts reshaping global trade. Since February 2025, multiple rounds of US tariffs and retaliatory measures heightened trade uncertainty. The global economy grew at 3.3% in 2025. India's economy recorded 6.49% in 2024-25, but increased its growth performance to 7.4% in 2025-26. Despite global headwinds, Tamil Nadu remained resilient.

2. With a diversified economic base, robust infrastructure, and progressive policies, Tamil Nadu has positioned itself as a leader in development and inclusive growth. The State's balanced growth model, which combines rapid industrialisation with strong social welfare and sustainability initiatives, has made it a role model for other states.

3. Tamil Nadu's sustained high performance has significantly contributed to India's overall economic and developmental progress. Despite accounting for only 4 % of India's land area and 6% of its population, the State contributed 9.4% to national GDP in 2024–25. Its Gross State Domestic Product at current prices reached Rs.31.19 lakh crore in 2024–25, reflecting a nominal growth rate of 16% and a real growth rate of 16% and a real growth rate of 11.2%, the highest among major states.

4. The State's sustained economic growth is driven by both the expansion of aggregate supply and the strengthening of aggregate demand. On the supply side, Tamil Nadu benefits from significant productive capacity and efficiency advantages. It has developed strong physical infrastructure, including reliable electricity, extensive road and port networks, and well-planned industrial corridors, which together enhance industrial competitiveness. High levels of human capital, reflected in literacy, technical education, and skill development, ensure a productive workforce capable of supporting both manufacturing and services.

5. Tamil Nadu's diversified industrial base, spanning both traditional and modern sectors, along with a vibrant MSME ecosystem, has promoted broad-based production growth. The manufacturing sector recorded a robust real growth rate of 14.74% in 2024–25, more than three times the all-India average of 4.5 %. Over the four-year period from 2021–22 to 2024–25, Tamil Nadu led the nation with an average manufacturing growth rate of 9.38%. The adoption of advanced technologies, the presence of research institutions, and the development of IT clusters in Chennai, Coimbatore, and Hosur have further strengthened productivity and innovation. Combined with sound governance and an enabling regulatory environment, these factors have enhanced supply responsiveness and attracted sustained investment. The

Economic Survey of India 2025–26 recognises Tamil Nadu as the foremost contributor to India's manufacturing employment, accounting for 15% of the nation's total factory workforce.

6. In 2024–25, the primary sector contributed 13.4% to the State's Gross State Value Added, the secondary sector 33.1% and the services sector contributed 53.6%. As observed in developed economies, a further increase in the share of the secondary sector could significantly improve employment prospects.

7. The services sector also registered strong performance, achieving a double-digit real growth rate of 11.3% in 2024–25. Within the sector, real estate, public administration, transport, hotels and restaurants, and other miscellaneous services all recorded double-digit growth, reflecting broad-based expansion.

8. Tamil Nadu continues to rank among the top Indian states in attracting foreign direct investment. While India's overall FDI equity inflows declined from US$46.03 billion in 2022–23 to US$44.42 billion in 2023–24 amid global uncertainty and tighter financial conditions, Tamil Nadu defied the trend. The State's FDI inflows increased steadily from US$2,169 million in 2022–23 to US$2,436 million in 2023–24, and further to US$3,681 million in 2024–25.

9. On the demand side, the State benefits from a large and diversified consumer base, rising per capita income, and rapid urbanisation, all of which fuel household consumption, particularly in urban and semi-urban areas. Strong investment demand, driven by private investment in manufacturing, automobiles, electronics, and renewable energy, is supported by a conducive business environment and progressive industrial policies. Government expenditure on infrastructure, education, health, and social welfare further reinforces aggregate demand.

10. Tamil Nadu's export performance provides an additional stimulus to growth. The State consistently ranks first in exports of electronics, textiles, and leather products, and second in engineering exports. Recognised as the 'Detroit of India', Tamil Nadu is a major hub for the automobile industry. Merchandise exports nearly doubled from US$26.15 billion in 2020–21 to US$52.07 billion in 2024–25, highlighting the State's growing global competitiveness and industrial diversification.

11. While demand-side forces generate short-term growth impulses, Tamil Nadu's long-term growth potential is anchored in its supply-side strengths, particularly its human capital, infrastructure, and institutional quality. This structural foundation has enabled the State to maintain growth momentum even in periods of global uncertainty.

12. Tamil Nadu's per capita income growth has consistently outpaced the national average. In 2024–25, per capita income reached Rs.3.62 lakh, which is 1.77 times higher than the national average of Rs.2.05 lakh, making Tamil Nadu the third-largest state in terms of per capita income.

13. Unlike states where economic activity is concentrated in a single metropolitan hub, Tamil Nadu's development is more evenly distributed across multiple urban centres. Cities such as Coimbatore, Madurai, Tiruppur, Tiruchirappalli, and Salem contribute significantly to the State's economy, helping bridge the urban–rural divide. In a notable achievement, every district in Tamil Nadu is now covered under one or more industrial corridor projects, making it the only state in India with such extensive industrial integration.

14. District-wise per capita income data for 2023–24 reveal variations arising from differences in urbanisation, industrial development, and geographical advantages. Nevertheless, the per capita income of top eight performing districts exceed the per capita income levels of top-performing states such as Telangana, Karnataka, and Haryana. Notably, in 32 out of 38 districts, per capita income was higher than the all-India average.

15. As a highly industrialised and urbanised economy, Tamil Nadu aims to achieve a one-trillion-dollar economy by 2030. As the State continues to move up the industrial and technological value chain, it is well positioned to attain both its trillion-dollar economy goal and developed income status well in advance.

16. Global inflation moderated gradually to 6.6 % in 2023 and further to 5.8% in 2024. India's retail inflation also declined from 5.5 % in 2023–24 to 4.6 % in 2024–25 and further to 1.7 % in 2025–26 up to December 2025. Tamil Nadu similarly experienced a decline in retail inflation from 5.4 % in 2023–24 to 4.6 % in 2024–25 and further to 2.3 % during the same period. Over the longer period from 2020–21 to 2024–25, however, both Tamil Nadu and India recorded an average inflation rate of 5.7 %. In 2024–25, Tamil Nadu ranked tenth lowest in retail inflation among the 18 major Indian states.

17. Urban inflation in Tamil Nadu declined from 5.2 % in 2023–24 to 2.5 % in 2025–26, while rural inflation fell from 5.8 % to 2.1 %. Urban inflation remains the primary driver of overall inflation in the State. Among major categories, food inflation declined sharply to –0.003 % in 2025–26, while inflation in clothing & footwear moderated to 1.3 %.

18. Although inflation is primarily a monetary phenomenon, its impact is felt directly by households through erosion of purchasing power. The Tamil Nadu government has worked to mitigate these effects through subsidised supplies of essential commodities such as cereals, pulses, edible oil, and electricity, along with income-support programmes including the Kalaignar Mahalir Urimai Thittam.

19. Agriculture in Tamil Nadu remains heavily dependent on the monsoons and contributes Rs.1.9 lakh crore, accounting for 6.6 % of the State's GSVA, making it the fifth-largest sector. The gross cropped area increased from 43.31 % of the State's geographical area in 2016–17 to 47.58 % in 2023–24. In 2024–25, the gross cropped area stood at 62.25 lakh hectares, with a crop intensity of 1.29.

20. Tamil Nadu achieved notable success in agricultural productivity during 2024–25, ranking first in ragi and sugarcane yields, second in oilseeds, and third in groundnut yields. The State's success in banana cultivation has also been cited by the Economic Survey of India as a region-specific horticultural achievement.

21. Agricultural credit has played a vital role in supporting farmers in Tamil Nadu. Credit disbursal more than doubled from Rs.2.23 lakh crore in 2019–20 to Rs.4.52 lakh crore in 2023–24, registering a compound annual growth rate of around 19 %. During 2023–24, nearly 299 lakh farmer loan

accounts were served, of which 78 % belonged to small and marginal farmers.

22. The Gross State Value Added from the livestock sector stood at Rs.1.47 lakh crore in 2024–25, contributing 5.1 % to the State's GSVA. Egg production increased significantly from 39,249 lakh in 2001–02 to 2.2 lakh million in 2023–24, growing at an annual compound rate of 8.2 %. Fishing and aquaculture contributed 0.99 % to GSVA, with fish product exports of 1.34 lakh tonnes generating Rs.6,854 crore in foreign exchange during 2023–24.

23. Accelerated growth in agriculture and allied sectors is achievable if the State effectively addresses challenges such as groundwater depletion and climate change. The adoption of climate-smart practices, promotion of mechanisation, and greater focus on post-harvest value addition can significantly enhance farm incomes.

24. Tamil Nadu ranked second in the Export Preparedness Index and in the credit–deposit ratio at 120.5 %, and third in total exports at US$52.07 billion in 2024–25.

25. The State's infrastructure policy reflects a shift from isolated asset creation towards systems-based development. Rising capital expenditure has strengthened transport, logistics, energy, water, and urban and rural services. Investments in public transport, electric mobility, metro expansion, and digital integration demonstrate a

people-centric mobility vision, while ports, airports, and logistics parks reinforce Tamil Nadu's role as a national gateway for trade. At the same time, execution challenges related to coordination, land acquisition, regulatory clearances & capacity building remain binding constraints.

26. Employment generation remains central to economic growth and social stability. Tamil Nadu's labour force participation rate increased from 71.5 % in 2021–22 to 72.1 % in 2023–24, while India's LFPR rose from 66.2 % to 71.3 % over the same period. The State's unemployment rate declined from 5.1 % to 3.5 %, compared to a decline from 4 % to 3.2 % at the national level. Higher enrolment in higher education and skill development, along with a strong social security system, likely contributed to these outcomes.

27. Labour market outcomes in Tamil Nadu reflect decades of investment in education, welfare, and economic diversification. Post-pandemic indicators show rising labour force participation, higher worker-population ratios, declining unemployment, and a notable expansion of regular salaried employment, placing the State among national leaders in job quality. The transition out of agriculture has been relatively orderly, with manufacturing and services absorbing labour in both urban and rural areas. However, progress remains uneven, with persistent gender gaps, particularly among youth.

Addressing care burdens, safety, mobility, and workplace retention will be critical in the next phase, along with strengthening pathways from education to stable employment.

28. unifying theme across this survey is that Tamil Nadu's growth has been driven not by a retreat from social policy, but by its elevation to the status of economic infrastructure. By treating education, health, food security, mobility, and dignity as enforceable social rights rather than residual welfare, the State has transformed historically excluded groups into active participants in modern growth. This has produced a distinctive development model in which equity and efficiency reinforce each other.

29. The Tamil Nadu government has consistently increased its expenditure on the social sector, rising from Rs.1,13,268 crore in 2021–22 to Rs.1,57,864 crore in 2025–26 (RE). Over time, the State has built one of India's most extensive and innovative welfare architectures. Programmes such as Naan Mudhalvan, Pudhumai Penn, Tamizh Pudhalvan, the Chief Minister's Breakfast Scheme, Kalaignar Magalir Urimai Thittam, and large-scale housing and urban renewal initiatives expand capabilities, reduce household risk, and strengthen aspirations. These interventions are not merely redistributive; they stabilise consumption, sustain domestic demand, and enable workers to avoid

distress-driven employment. Several of these models have set national benchmarks and are being replicated by other states.

30. Women's development in Tamil Nadu represents both a major achievement and a new frontier. The State leads in education, health outcomes, fertility reduction, financial inclusion, and political participation of women. However, high educational attainment coexists with low labour force participation among young and educated women. Care burdens, social norms, mobility constraints, and a shortage of high-quality jobs remain the binding constraints. The next phase of development must move from access to transformation by centring women's employment in policy, expanding childcare, housing, and transport, creating jobs in sunrise sectors, and reshaping norms to redistribute care responsibilities.

31. Tamil Nadu is among the most literate states in India and consistently excels in elementary, secondary, and higher education enrolment. The State has the largest number of technical institutions in the country, including 463 engineering and architecture colleges and 492 polytechnic colleges in 2024–25. Seventeen institutions from Tamil Nadu feature in the NIRF 2025 Top 100 overall rankings, the highest representation among all states. The State leads the country in the Gross Enrolment Ratio in higher education at 47 %, compared to the national average of

28.4 %, and ranks third in female GER at 47.3 %, well above the national figure of 28.5 %. These outcomes demonstrate the effectiveness of Tamil Nadu's welfare and education model.

32. The State also performs strongly across key health indicators. Tamil Nadu has achieved a low infant mortality rate of 12 per 1,000 live births in 2023, a low birth rate of 12, one of the lowest levels of multidimensional poverty at 1.43 % in 2022–23, and ranks third nationally in life expectancy at 73.4 years.

33. Environmental governance in Tamil Nadu is institutionally advanced but faces increasing strain from industrialisation, urbanisation, and climate risks. Persistent challenges related to water pollution, waste management, and air quality call for technological upgrading, stricter enforcement, and greater community-based transparency. Institutional fragmentation and data silos weaken policy coherence, indicating the need for deeper coordination and integrated data systems.

34. Fiscal policy has broadly supported Tamil Nadu's growth trajectory. While the pandemic necessitated expansionary measures that raised deficits and debt, subsequent years have seen stabilisation alongside a strong push for capital formation. Total capital expenditure between 2020–21 and 2025–26 amounts to Rs.2.54 lakh crore, reflecting a

decisive emphasis on asset creation. Although the debt-to-GSDP ratio remains below the thresholds recommended by the Fifteenth Finance Commission, future pressures arising from pay revisions, pensions, and GST rationalisation could strain fiscal space. Sustaining growth will therefore require disciplined and productive use of resources.

35. In conclusion, Tamil Nadu's experience affirms a fundamental principle: social justice is not a cost to development but its most powerful catalyst. By treating welfare as entitlement and capability, the State has transformed exclusion into participation and deprivation into productivity. The coming decade will test the adaptability of this model amid ageing, urbanisation, climate stress, fiscal constraints, and technological change. The task ahead is not to retreat from welfare, but to renew it by making programmes more outcome-oriented, resilient, and aligned with emerging realities. Sustaining high growth with equity will depend on preserving fiscal space for social and capital investment, deepening labour-market inclusion, reorienting industrial and services growth towards learning and employment, completing the shift to climate-resilient infrastructure, integrating environmental governance across sectors, and converting women's social gains into economic participation and leadership.

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